

BOND



TAX-EXEMPT EQUIPMENT FINANCING PROGRAMS

2018 ANNUAL REPORT

BOND & TAX-EXEMPT EQUIPMENT FINANCING PROGRAMS 2018 ANNUAL REPORT

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Rendering of Sutter Health's California Pacific Medical Center Van Ness Campus, partially funded by CHFFA Series 2016 bonds & Series 2018A bonds

Overview

The California Health Facilities Financing Authority (CHFFA) offers two financing programs that provide financial assistance for California's public and non-profit health facilities: the Bond Financing Program and the Tax-Exempt Equipment Financing Program. The different financing programs allow borrowers the ability to determine which type of financing best fits the needs of the health care institution depending, on the specific use of proceeds.

Bond Financing Program

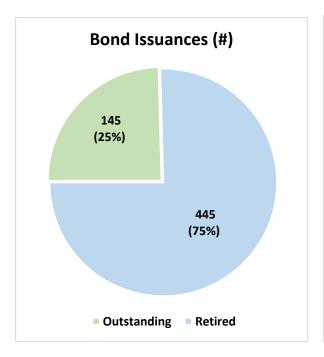
The Bond Financing Program provides eligible health facilities with access to low interest rate capital markets through the issuance of tax-exempt and taxable revenue bonds. Bond proceeds may be used to fund construction/renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, working capital for start-up facilities and pay costs of issuance.

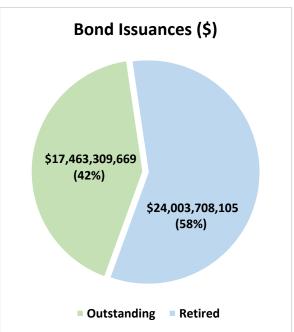
Tax-Exempt Equipment Financing Program

The Tax-Exempt Equipment Financing Program provides eligible health facilities with access to tax-exempt, fixed rate financing for equipment purchases. Funds may be used to purchase or reimburse all types of qualifying equipment including but not limited to medical and diagnostic equipment, computer hardware and software, telecommunication equipment and minor equipment installation costs.

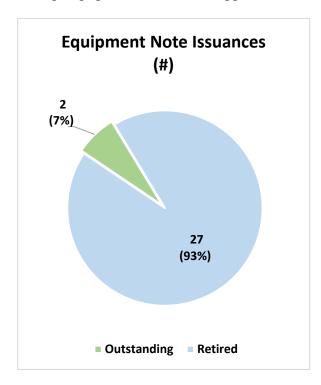
Portfolio

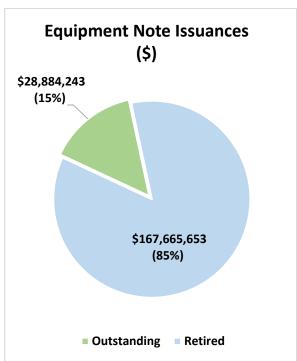
Since its first bond issuance in 1981, CHFFA has issued 590 bonds for an aggregate total of approximately \$41.5 billion. As of December 31, 2018, CHFFA has 145 outstanding bond issuances totaling approximately \$17.5 billion.





Since 1994, CHFFA has issued 29 tax-exempt equipment notes for an overall total of approximately \$196.5 million. As of December 31, 2018, CHFFA had two outstanding tax-exempt equipment notes in the approximate amount of \$28.9 million.







LA BioMed's proposed new research facility, partially funded by CHFFA Series 2018 bonds

Summary of Calendar Year 2018 Financings

In 2018, CHFFA authorized two bond financings and one equipment note financing for three California health facilities, which resulted in a total issuance of \$688,860,000. The following provides a summary of CHFFA's bond and note issues that closed in 2018.

Sutter Health, Series 2018A \$619,025,000

Bond proceeds were used to finance and reimburse costs associated with the ongoing construction, expansion, furnishing, and equipping of two new replacement hospitals located in San Francisco. Both hospitals have an estimated completion date of 2019.

LA BioMed, Series 2018 \$49,835,000

Bond proceeds were used to finance, refinance, and reimburse various capital improvements on the Los Angeles Biomedical Research Institute at Harbor-UCLA Medical Center campus, including the new biological resources center and

research tower. The new building was used to promote research, provide advanced equipment, and attract experienced scientists.

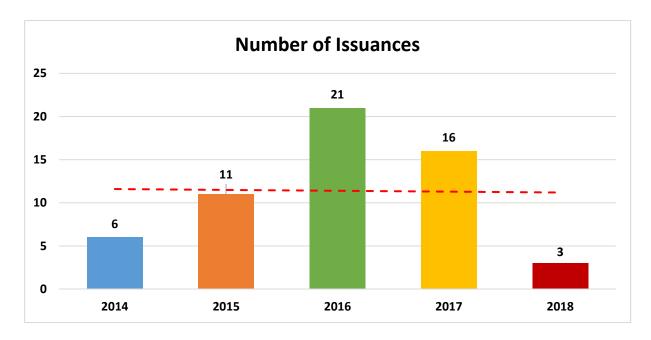
AltaMed Health Services Corporation, Series 2018A¹

\$20,000,000

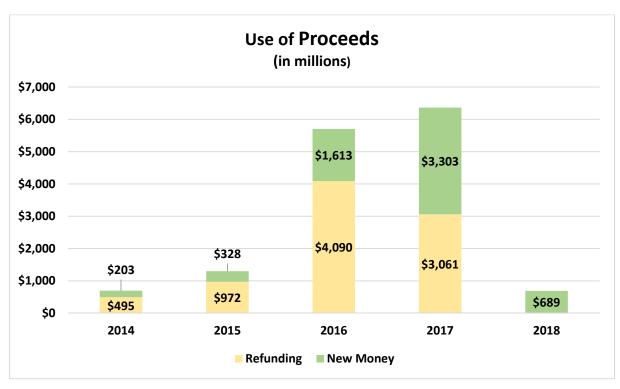
Note proceeds were used to finance the purchase of equipment, such as exam beds, x-ray machines, dental chairs, and other medical and dental supplies. Additionally, note proceeds financed the cost of the acquisition and implementation of a new cloud-based electronic medical record system.

¹AltaMed issued tax-exempt notes through CHFFA's Tax-Exempt Equipment Financing Program.

Five Year Trends



In December 2017, the Tax Cuts and Jobs Act was signed into law, which included a provision that eliminated the use of tax-exempt financing to advance refund private activity bonds. The effect of this elimination had a considerable impact on CHFFA's bond issuances in 2018 and is depicted on these charts. CHFFA issued only three bonds in 2018 (all new money), significantly lower than the average over the last five years.



Five Year Summary of Bond & Equipment Financings

| 2018 | | | |
|---|-----------------|-------|---------------------|
| Health Facility | City | | Amount |
| Sutter Health | Sacramento | | \$ 619,025,000 |
| LA BioMed | Torrance | | 49,835,000 |
| AltaMed Health Services Corporation | Los Angeles | | 20,000,000 |
| · | J | Total | \$ 688,860,000 |
| 2017 | | | |
| Health Facility | <u>City</u> | | <u>Amount</u> |
| Kaiser Foundation Hospitals | Oakland | | \$ 4,400,000,000 |
| Stanford Health Care | Stanford | | 575,000,000 |
| Sutter Health | Sacramento | | 500,000,000 |
| Children's Hospital Los Angeles | Los Angeles | | 400,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford | Stanford | | 200,000,000 |
| Scripps Health | San Diego | | 168,500,000 |
| City of Hope | Duarte | | 65,500,000 |
| Montecito Retirement Association | Montecito | | 55,000,000 |
| | | Total | \$ 6,364,000,000 |
| 2016 | C11. | | |
| Health Facility | City | | Amount |
| Providence Health & Services | Los Angeles | | \$ 1,816,990,000 |
| Sutter Health | Sacramento | | 1,026,000,000 |
| Cedars-Sinai Medical Center | Los Angeles | | 775,000,000 |
| Sutter Health | Sacramento | | 550,000,000 |
| Adventist Health System/West | Roseville | | 325,000,000 |
| El Camino Hospital | Mountain View | | 325,000,000 |
| Dignity Health | San Francisco | | 300,000,000 |
| Lucile Packard Children's Hospital at Stanford | Stanford | | 250,000,000 |
| Scripps Health | San Diego | | 150,000,000 |
| Memorial Health Services | Fountain Valley | | 115,000,000 |
| Casa Colina, Inc. | Los Angeles | | 36,400,000 |
| Asian Community Center of Sacramento Valley, Inc. | Sacramento | | 20,000,000 |
| Ampla Health | Yuba City | | 7,750,000 |
| Petaluma Health Center | Petaluma | | 6,000,000 |
| 2015 | | Total | \$ 5,703,140,000 |
| Health Facility | City | | Amount |
| Cedars-Sinai Medical Center | Los Angeles | | \$ 458,000,000 |
| Sutter Health | Sacramento | | 212,000,000 |
| El Camino Hospital | Mountain View | | 175,000,000 |
| Stanford Health Care | Stanford | | 175,000,000 |
| AltaMed Health Services Corporation | Los Angeles | | 109,000,000 |
| Northern California Presbyterian Homes & Serivces, Inc. | San Francisco | | 80,000,000 |
| Marshall Medical Center | Placerville | | 35,000,000 |
| California-Nevada Methodist Homes | Oakland | | 35,000,000 |
| AltaMed Health Services Corporation | Oakland | | 21,000,000 |
| Thursday Teams Services Cosposition | Gamana | Total | \$ 1,300,000,000 |
| 2014 | | | |
| Health Facility | <u>City</u> | | Amount |
| Dignity Health | San Francisco | | \$ 330,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford | Stanford | | 200,000,000 |
| Providence Health System Southern California | Los Angeles | | 150,000,000 |
| Lincoln Glen Manor for Senior Citizens, Inc. | San Jose | | 13,000,000 |
| Social Model Recovery Systems, Inc. | Covina | | 5,000,000 |
| | | Total | \$ 698,000,000 |

Top Ten Borrowers

Below is a chart of CHFFA's top ten borrowers, in order of total amount of bonds outstanding. A further breakdown of dollar amount and total share of debt can be seen in the pie chart below. Although frequency of issuance varies, each of the top ten borrowers have had at least one new issuance in the past three calendar years. As of December 31, 2018, CHFFA's top ten borrowers were responsible for approximately 88% of outstanding CHFFA issued debt.

| Borrower's Name | First <u>CHFFA Issuance</u> | Most Recent CHFFA Issuance |
|---|-----------------------------|-------------------------------|
| Sutter Health | 1983 | 2018 |
| Kaiser Foundation Hospitals | 1983 | 2017 |
| Providence St. Joseph Health | 1983 | 2016 |
| Dignity Health | 1989 | 2016 |
| Stanford Health Care | 1984 | 2017 |
| Cedars-Sinai Medical Center | 1987 | 2016 |
| Scripps Health | 1985 | 2017 |
| Lucile Salter Packard Children's Hospital | 2003 | 2017 |
| Adventist Health System/West | 1987 | 2017 |
| Children's Hospital Los Angeles | 1987 | 2017 |

